Bitcoin Is Officially a Commodity, According to U.S. Regulator

The Commodity Futures Trading Commission makes its mark.

Luke Kawa LJKawa
September 17, 2015 — 4:58 PM CDT
Share on FacebookShare on Twitter
Bitcoin XT: What Is It and Why Was It Released?
Don't Miss Out — Follow Bloomberg On
Facebook Twitter Instagram YouTube
Recommended

Pound Leaps Most Since 2008 as ‘Remain’ Recaptures Lead in Polls

Brexit Angst Leaves Almost No Currency Untouched With Days to Go

Beyond the Turmoil, Central Bankers Dread Brexit’s Shadow
Virtual money is officially a commodity, just like crude oil or wheat.

So says the Commodity Futures Trading Commission (CFTC), which on Thursday announced it had filed and settled charges against a Bitcoin exchange for facilitating the trading of option contracts on its platform.

"In this order, the CFTC for the first time finds that Bitcoin and other virtual currencies are properly defined as commodities," according to the press release.

While market participants have long discussed whether Bitcoin could be defined as a commodity, and the CFTC has long pondered whether the cryptocurrency falls under its jurisdiction, the implications of this move are potentially numerous.

By this action, the CFTC asserts its authority to provide oversight of the trading of cryptocurrency futures and options, which will now be subject to the agency’s regulations. In the event of wrongdoing, such as futures manipulation, the CFTC will be able to bring charges against bad actors.

If a company wants to operate a trading platform for Bitcoin derivatives or futures, it will need to register as a swap execution facility or designated contract market, just like the CME Group. And Coinflip—the target of the CFTC action—is hardly the only company that provides a platform to trade Bitcoin derivatives or futures.

“While there is a lot of excitement surrounding Bitcoin and other virtual currencies, innovation does not excuse those acting in this space from following the same rules applicable to all participants in the commodity derivatives markets,” said Aitan Goelman, the CFTC's director of enforcement, in a statement.

Since Coinflip is not alone in providing a platform to trade Bitcoin derivatives or futures, Goelman's words imply that other unregulated exchanges could soon attract the attention of the CFTC.
As such, the CFTC is bringing dealings in Bitcoin, long prized for its anonymity, into the light. While this could help clean up U.S. trading around the product, potentially helping to avoid a repeat of the Mt. Gox escapade, it is also likely to increase the cost of doing business.

Coinflip consented to the order without admitting or denying any of its findings or conclusions.

"The cease and desist was a fair settlement," Francisco Riordan, Coinflip's chief executive officer, said in response to a request for comment. He said that customer funds had been refunded in July 2014, before the CFTC made contact with the company: "There wasn't enough trade volume for the site to sustain itself."

Bitcoin, meanwhile, has been trading sideways throughout 2015: